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This single chapter on trade and project financing is excerpted from the FY 2005 Country Commercial Guide for Oman. The full text of the report is also available on this website.

Chapter 7: Trade and Project Financing

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How Do I Get Paid (Methods of Payment)?

The most common method of payment in Oman is by providing a letter of credit from a bank. Oman has four debt collection agencies: Debt Recovery Service, Fort Travel and Tours, United Finance Company and United International Recovery. There are no credit rating agencies in Oman.

How Does the Banking System Operate?

Oman's banking sector consists of 14 local and foreign commercial banks and three specialized banks. Some local banks have significant foreign shareholders, with expatriates in senior positions. The banks are subject to close supervision by the Central Bank of Oman (CBO), which regulates and licenses private banks, monitors interest rates, and issues development bonds and notes. The CBO recently raised its minimum capital requirements, forcing several bank mergers. A current merger between Bank Muscat and the National Bank of Oman (NBO) is scheduled for final approval sometime in 2005. Foreign banks find onerous CBO requirements to maintain a 12 percent level of capital adequacy and restrict consumer lending to 42.5% percent of the loan portfolio.

Foreign-Exchange Controls

The Omani Rial is fully convertible and is pegged to the U.S dollar (roughly 1 RO = \$2.60). There is no restriction on the repatriation of capital from Oman.

U.S. Banks and Local Correspondent Banks

All five local banks in Oman maintain U.S correspondents: Bank Muscat (J.P Morgan Chase), Oman International Bank (Citibank), National Bank of Oman (Wachovia), Oman Arab Bank (Arab Bank PLC), Bank Dhofar (Union Bank of California, Wachovia and J. P Morgan Chase). There are no U.S banks operating in Oman, although Citibank remains active in the Omani market working out of its Dubai office.

Project Financing

In terms of project financing, the Sultanate has two loan programs to promote investment. The Ministry of Commerce & Industry (MOCI) administers a program designed to promote industrial investment. Formerly interest free, the program now charges 4 percent interest, with generous repayment terms. MOCI loans will match equity contributions in the Muscat capital area, or 1.25 times equity for other locations. Projects with a high percentage of local content or employing large numbers of Omanis are given priority, as are tourism projects outside the capital area. The Oman Development Bank also administers a loan program to support development of smaller loans to industry, agriculture, fisheries, petroleum, mining, and services.

The International Bank for Reconstruction and Development (IBRD), a member of the World Bank group, offers long-term loans to developing nations at market interest rates. The International Development Agency (IDA), the soft loan arm of the World Bank, lends to the poorest developing countries. Both the IBRD and IDA work to promote broad-based economic growth and frequently focus on structural adjustment, sectoral reform, and individual project lending; they operate under the same set of procurement guidelines. The World Bank does not typically finance the entire cost of a project.

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Web Resources

Ministry of Commerce and Industry
<http://www.mocioman.gov.om/>

Central Bank of Oman
<http://www.cbo-oman.org/>

Bank Muscat
<http://www.bankmuscat.com/>

Oman International Bank
<http://www.oiboman.com/>

National Bank of Oman
<http://www.nbo.co.om/>

Oman Arab Bank
<http://www.omanab.com/>

Bank Dhofar
<http://www.bankdhofar.com/>

Export-Import Bank of the United States: <http://www.exim.gov/>

Country Limitation Schedule: http://www.exim.gov/tools/country/country_limits.html

OPIC: <http://www.opic.gov/>

Trade and Development Agency: <http://www.tda.gov/>

SBA's Office of International Trade: <http://www.sba.gov/oit/>

USDA Commodity Credit Corporation: <http://www.fsa.usda.gov/ccc/default.htm>

U.S. Agency for International Development: <http://www.usaid.gov/>

Islamic Development Bank: <http://www.isdb.org/>

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Travelers may wish to obtain the most recent travel advisory from the U.S. Department of State at www.state.gov

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